



**Auditor of State
Betty Montgomery**

VAN WERT COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Van Wert County
121 East Main Street
Van Wert, Ohio 45891

To the Board of Commissioners:

We have audited the accompanying general-purpose financial statements of Van Wert County (the County) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of County Commissioners and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 8, 2003

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**Van Wert County
Combined Balance Sheet
All Fund Types, Account Groups and Discretely Presented Component Units
December 31, 2002**

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits					
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,531,196	\$3,941,452	\$280	\$1,622,085	\$78,216
Cash and Cash Equivalents in Segregated Accounts	110,968	44,701			
Cash and Cash Equivalents with Fiscal Agents				38,904	
Investments in Segregated Accounts		134,133			
Receivables:					
Taxes	1,437,065	1,999,926			
Accounts (Net, where applicable, of Uncollectible Accounts)	294,449	1,041,074			204,855
Special Assessments		239,494	761,568		
Accrued Interest	20,608				
Due from Other Funds	16,670	83,162			
Due from Other Governments	544,075	3,164,410		280,000	
Materials and Supplies Inventory	32,295	238,549			
Loans Receivable			222,913		
Prepaid Items	36,773	44,239			254
Fixed Assets (Net, where applicable, of Accumulated Depreciation)					571,284
Construction in Progress					
Other Debits:					
Amount to be Provided from General Government Resources					
Amount to be Provided from Special Assessments					
Total Assets and Other Debits	5,024,099	10,931,140	984,761	1,940,989	854,609
Liabilities, Fund Equity and Other Credits					
Liabilities:					
Accounts Payable	57,237	299,256			39,293
Contracts Payable				793,565	
Retainage Payable				76,832	
Accrued Wages Payable	147,003	237,757			9,227
Compensated Absences Payable	15,194	16,397			4,719
Due to Other Funds	2,661	97,120			51
Due to Other Governments	36,716	71,982			8,975
Deferred Revenue	1,943,786	4,980,256	761,568	280,000	
Undistributed Monies					
Accrued Interest Payable				981	120
Notes Payable				90,000	20,000
Capital Leases Payable					
Early Retirement Incentive Payable					
Loans Payable					
Total Liabilities	2,202,597	5,702,768	761,568	1,241,378	82,385
Fund Equity and Other Credits:					
Investment in General Fixed Assets					
Contributed Capital					272,428
Retained Earnings					499,796
Fund Balance:					
Reserved for Encumbrances	63,981	431,604		679,136	
Reserved for Materials and Supplies Inventory	32,295	238,549			
Reserved for Loans Receivable			222,913		
Reserved for Unclaimed Monies	10,091				
Unreserved	2,715,135	4,558,219	280	20,475	
Total Fund Equity and Other Credits	2,821,502	5,228,372	223,193	699,611	772,224
Total Liabilities, Fund Equity and Other Credits	\$5,024,099	\$10,931,140	\$984,761	\$1,940,989	\$854,609

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations			
Agency					
\$1,471,872			\$9,645,101	\$51,397	\$9,696,498
309,967			465,636	178,898	644,534
			38,904		38,904
20,000			154,133	1,278,571	1,432,704
20,875,147			24,312,138		24,312,138
381,627			1,922,005	37,688	1,959,693
1,510,277			2,511,339		2,511,339
			20,608		20,608
			99,832		99,832
2,110,716			6,099,201		6,099,201
			270,844	175	271,019
			222,913		222,913
			81,266	2,730	83,996
	19,994,709		20,565,993	1,086,779	21,652,772
	3,916,612		3,916,612		3,916,612
		3,584,452	3,584,452		3,584,452
		667,272	667,272		667,272
<u>26,679,606</u>	<u>23,911,321</u>	<u>4,251,724</u>	<u>74,578,249</u>	<u>2,636,238</u>	<u>77,214,487</u>
			395,786	4,022	399,808
			793,565		793,565
			76,832		76,832
			393,987		393,987
		688,310	724,620		724,620
			99,832		99,832
25,467,194		341,400	25,926,267		25,926,267
			7,965,610		7,965,610
1,212,412			1,212,412		1,212,412
			1,101		1,101
		2,869,676	2,979,676	121,728	3,101,404
		160,350	160,350		160,350
		191,988	191,988		191,988
				222,913	222,913
<u>26,679,606</u>		<u>4,251,724</u>	<u>40,922,026</u>	<u>348,663</u>	<u>41,270,689</u>
	23,911,321		23,911,321		23,911,321
			272,428		272,428
			499,796	2,287,575	2,787,371
			1,174,721		1,174,721
			270,844		270,844
			222,913		222,913
			10,091		10,091
			7,294,109		7,294,109
	<u>23,911,321</u>		<u>33,656,223</u>	<u>2,287,575</u>	<u>35,943,798</u>
<u>\$26,679,606</u>	<u>\$23,911,321</u>	<u>\$4,251,724</u>	<u>\$74,578,249</u>	<u>\$2,636,238</u>	<u>\$77,214,487</u>

Van Wert County
Combined Statement of Revenues, Expenditures, and Changes
In Fund Balances - All Governmental Fund Types
For the Year Ended December 31, 2002

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property and Other Taxes	\$883,437	\$1,940,383			\$2,823,820
Permissive Sales Tax	3,289,525				3,289,525
Intergovernmental	1,596,984	9,020,174		1,120,000	11,737,158
Charges for Services	641,796	1,968,038			2,609,834
Licenses and Permits	16,695	64,449			81,144
Fines and Forfeitures	128,383	141,451			269,834
Special Assessments		251,428	236,718		488,146
Interest	520,405	7,404			527,809
Other	557,169	1,239,849	10,192	10,000	1,817,210
Total Revenues	7,634,394	14,633,176	246,910	1,130,000	23,644,480
Expenditures:					
Current:					
General Government:					
Legislative and Executive	2,540,173	1,363,057			3,903,230
Judicial	1,157,855	42,220			1,200,075
Public Safety	2,327,864	361,696			2,689,560
Public Works	208,535	2,626,398			2,834,933
Health	42,967	50,563			93,530
Human Services	234,008	8,159,030			8,393,038
Economic Development and Assistance	27,500	431,778			459,278
Intergovernmental	267,833				267,833
Capital Outlay	100,091	355,198		3,448,722	3,904,011
Debt Service:					
Principal Retirement	765	113,149	227,882		341,796
Interest and Fiscal Charges		20,070	44,037	5,407	69,514
Total Expenditures	6,907,591	13,523,159	271,919	3,454,129	24,156,798
Excess of Revenues Over (Under) Expenditures	726,803	1,110,017	(25,009)	(2,324,129)	(512,318)
Other Financing Sources (Uses):					
Proceeds from Sale of Notes				1,700,000	1,700,000
Operating Transfers - In		521,705	4,695	405,219	931,619
Operating Transfers - Out	(460,787)	(217,000)		(253,832)	(931,619)
Total Other Financing Sources (Uses)	(460,787)	304,705	4,695	1,851,387	1,700,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	266,016	1,414,722	(20,314)	(472,742)	1,187,682
Fund Balances at Beginning of Year-Restated (Note 3)	2,541,932	3,812,040	243,507	1,172,353	7,769,832
Increase in Reserve for Inventory	13,554	1,610			15,164
Fund Balances at End of Year	\$2,821,502	\$5,228,372	\$223,193	\$699,611	\$8,972,678

See Accompanying Notes to the General Purpose Financial Statements

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Van Wert County
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non GAAP Basis) and Actual - All Governmental Fund Types
For the Year Ended December 31, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$881,188	\$883,437	\$2,249	\$1,943,095	\$1,946,916	\$3,821
Permissive Sales Tax	2,951,000	3,314,267	363,267			
Intergovernmental	1,262,848	1,541,040	278,192	8,756,217	9,231,952	475,735
Charges for Services	608,064	705,488	97,424	1,701,453	1,732,540	31,087
Licenses and Permits	14,500	16,695	2,195	60,844	64,717	3,873
Fines and Forfeitures	96,000	118,086	22,086	121,139	125,459	4,320
Special Assessments				212,838	251,428	38,590
Interest	350,700	506,209	155,509	26,209	10,947	(15,262)
Other	151,828	252,852	101,024	63,486	241,862	178,376
Total Revenues	6,316,128	7,338,074	1,021,946	12,885,281	13,605,821	720,540
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,170,258	2,592,558	577,700	1,470,989	1,369,484	101,505
Judicial	1,296,148	1,188,128	108,020	59,243	42,281	16,962
Public Safety	2,342,167	2,279,390	62,777	288,090	202,183	85,907
Public Works	28,450	27,135	1,315	2,831,384	2,613,287	218,097
Health	70,648	46,166	24,482	50,468	46,935	3,533
Human Services	236,675	231,759	4,916	8,809,838	8,342,880	466,958
Economic Development and Assistance	27,500	27,500		489,989	441,975	48,014
Intergovernmental	268,387	268,387				
Capital Outlay	157,426	146,385	11,041	818,171	741,905	76,266
Debt Service:						
Principal Retirement				31,265	24,274	6,991
Interest and Fiscal Charges				8,889	7,272	1,617
Total Expenditures	7,597,659	6,807,408	790,251	14,858,326	13,832,476	1,025,850
Excess of Revenues Over (Under) Expenditures	(1,281,531)	530,666	1,812,197	(1,973,045)	(226,655)	1,746,390
Other Financing Sources (Uses):						
Proceeds from Sale of Notes						
Advances - In		46,653	46,653		125,178	125,178
Advances - Out		(46,653)	(46,653)		(125,178)	(125,178)
Operating Transfers - In				370,845	521,705	150,860
Operating Transfers - Out	(816,598)	(460,787)	355,811	(320,000)	(217,000)	103,000
Total Other Financing Sources (Uses)	(816,598)	(460,787)	355,811	50,845	304,705	253,860
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,098,129)	69,879	2,168,008	(1,922,200)	78,050	2,000,250
Fund Balances at Beginning of Year	2,129,777	2,129,777		2,796,814	2,796,814	
Prior Year Encumbrances Appropriated	148,734	148,734		366,368	366,368	
Fund Balances at End of Year	\$180,382	\$2,348,390	\$2,168,008	\$1,240,982	\$3,241,232	\$2,000,250

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Funds			Capital Projects Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			1,120,000	1,120,000	
236,718	236,718				
23,684	23,684		10,000	10,000	
260,402	260,402		1,130,000	1,130,000	
			4,328,527	4,250,614	77,913
337,882	337,882				
51,843	51,843				
389,725	389,725		4,328,527	4,250,614	77,913
(129,323)	(129,323)		(3,198,527)	(3,120,614)	77,913
			1,700,000	1,700,000	
	21,753	21,753		100,000	100,000
	(21,753)	(21,753)		(100,000)	(100,000)
122,501	122,501		308,832	308,832	
			(253,832)	(253,832)	
122,501	122,501		1,755,000	1,755,000	
(6,822)	(6,822)		(1,443,527)	(1,365,614)	77,913
7,102	7,102		1,407,963	1,407,963	
			45,122	45,122	
\$280	\$280		\$9,558	\$87,471	\$77,913

Van Wert County
Combined Statement of Revenues, Expenses and Changes
In Fund Equity - Enterprise Fund and Discretely Presented Component Units
For the Year Ended December 31, 2002

	<u>Primary Government</u>		<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Component Units</u>	
Operating Revenues:			
Charges for Services	\$409,727	\$21,229	\$430,956
Public Support		5,112	5,112
Subsidy from County Board		132,678	132,678
Program Services		109,115	109,115
Gross Sales		99,567	99,567
Other Operating Revenues		19,247	19,247
Total Operating Revenues	<u>409,727</u>	<u>386,948</u>	<u>796,675</u>
Operating Expenses:			
Personal Services	245,531	108,251	353,782
Contractual Services	80,815		80,815
Materials and Supplies	18,055		18,055
Program Services		410,841	410,841
Management/General Expense		30,298	30,298
Depreciation	52,683	65,844	118,527
Total Operating Expenses	<u>397,084</u>	<u>615,234</u>	<u>1,012,318</u>
Operating Income (Loss)	<u>12,643</u>	<u>(228,286)</u>	<u>(215,643)</u>
Non-Operating Revenues (Expenses):			
Grants	20,000	37,706	57,706
Interest Revenue		(105,914)	(105,914)
Donations from Governmental Funds	44,490		44,490
Interest and Fiscal Charges	(1,103)	(14,614)	(15,717)
Total Non-Operating Revenues (Expenses)	<u>63,387</u>	<u>(82,822)</u>	<u>(19,435)</u>
Net Income (Loss)	<u>76,030</u>	<u>(311,108)</u>	<u>(235,078)</u>
Retained Earnings at Beginning of Year - Restated (Note 3)	423,766	2,598,683	3,022,449
Retained Earnings at End of Year	499,796	2,287,575	2,787,371
Contributed Capital at Beginning and End of Year	272,428		272,428
Total Fund Equity at End of Year	<u>\$772,224</u>	<u>\$2,287,575</u>	<u>\$3,059,799</u>

See Accompanying Notes to the General Purpose Financial Statements

Van Wert County
Statement of Revenues, Expenses, and Changes in Fund Equity
Budget (Non GAAP Basis) and Actual - Enterprise Fund
For the Year Ended December 31, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$389,925	\$410,591	\$20,666
Grants	20,000	20,000	
Total Revenues	409,925	430,591	20,666
Expenses:			
Personal Services	237,187	237,008	179
Contractual Services	107,358	106,158	1,200
Materials and Supplies	19,491	18,605	886
Capital Outlay	101,428	100,084	1,344
Total Expenses	465,464	461,855	3,609
Excess of Revenues Under Expenses	(55,539)	(31,264)	24,275
Operating Transfers - Out	(21,900)	(21,419)	481
Excess of Revenues Under Expenses and Operating Transfers	(77,439)	(52,683)	24,756
Fund Equity at Beginning of Year (Restated)	82,574	82,574	
Prior Year Encumbrances Appropriated	3,068	3,068	
Fund Equity at End of Year	\$8,203	\$32,959	\$24,756

See Accompanying Notes to the General Purpose Financial Statements

Van Wert County
Combined Statement of Cash Flows
Enterprise Fund and Discretely Presented Component Units
For the Year Ended December 31, 2002

	<u>Primary Government</u>		<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Component Units</u>	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received From Customers and Support	\$410,591	\$354,966	\$765,557
Other Operating Receipts		19,247	19,247
Cash Paid for Employee Services and Benefits	(237,008)	(108,251)	(345,259)
Cash Paid to Suppliers	(61,355)	(461,511)	(522,866)
Net Cash Provided by (Used in) Operating Activities	<u>112,228</u>	<u>(195,549)</u>	<u>(83,321)</u>
Cash Flows from Noncapital Financing Activities:			
Grants	20,000	37,706	57,706
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>20,000</u>	<u>37,706</u>	<u>57,706</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(118,235)	(35,390)	(153,625)
Note Principal Payments	(20,000)	(12,227)	(32,227)
Loan Principal Payments		(13,492)	(13,492)
Note Interest Payments	(1,419)	(9,074)	(10,493)
Loan Interest Payments		(10,192)	(10,192)
Net Cash Used in Capital and Related Financing Activities	<u>(139,654)</u>	<u>(80,375)</u>	<u>(220,029)</u>
Cash Flows from Investing Activities:			
Interest		456	456
Sale of Investments		43,009	43,009
Net Cash Provided by Investing Activities		<u>43,465</u>	<u>43,465</u>
Net Decrease in Cash and Cash Equivalents	(7,426)	(194,753)	(202,179)
Cash and Cash Equivalents at Beginning of Year	<u>85,642</u>	<u>425,048</u>	<u>510,690</u>
Cash and Cash Equivalents at End of Year	<u>\$78,216</u>	<u>\$230,295</u>	<u>\$308,511</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	\$12,643	(\$228,286)	(\$215,643)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	52,683	65,844	118,527
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	864	(12,735)	(11,871)
Decrease in Due from Other Funds			
Decrease in Due from Other Governments			
(Increase) Decrease in Prepaid Items	(138)	129	(9)
Increase (Decrease) in Accounts Payable	38,155	(20,501)	17,654
Increase in Accrued Wages	3,099		3,099
Increase in Compensated Absences Payable	2,245		2,245
Decrease in Due to Other Funds	(502)		(502)
Increase in Due to Other Governments	3,179		3,179
Net Cash Provided by (Used in) Operating Activities	<u>\$112,228</u>	<u>(\$195,549)</u>	<u>(\$83,321)</u>

See Accompanying Notes to the General Purpose Financial Statements

VAN WERT COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Van Wert County, Ohio (the County), was created in 1820 but was not organized until 1837. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a joint Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budgeting and taxing authority, contracting body and the chief administrators of public services for the County, including each of these departments.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Van Wert County, this includes the Children's Services Board, the Board of Mental Retardation and Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, the Lincolnway Home, the Van Wert County Veterans Services, and all departments and activities that are directly operated by the elected County officials. Van Wert County Brumback Public Library is included as part of the primary government.

Van Wert County Brumback Public Library

The Brumback Library was constructed and donated to Van Wert County per the will of the late J. S. Brumback and a contract made between the heirs of the estate and the Van Wert County Commissioners in 1898. The Library was established as a free public library for the benefit of the citizens of Van Wert County, Ohio, at that time. The law was enacted under Section 891a Revised Statute found on page 355 of Volume 93. The Statute provides: "Any County accepting such a bequest, donation or gift shall be bound to faithfully carry out the agreement so made to provide and maintain such a library." It is therefore the legal duty of the Board of County Commissioners to faithfully comply with the terms of the contract and maintain and operate the library as a County Library.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the organization's budget, the levying of its taxes or the issuance of its debt.

Blended Component Unit

The Library Enrichment Foundation of the Brumback Library is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Library Enrichment Foundation of the Brumback Library The Library Enrichment Foundation of the Brumback Library was formed for the purpose of supporting and promoting charitable, educational, scientific, and literary purposes of the Brumback Library. Membership in the Foundation consists solely of the Trustees of the Brumback Library and the Director of the Brumback Library. The board of the Foundation and the Brumback Library are the same. The Brumback Library is part of the primary government, and the primary government may affect the activities, programs and projects of the Foundation; therefore, it would be misleading to exclude the Library Enrichment Foundation of the Brumback Library from the financial statements of the primary government. The Foundation is considered a component unit and blended with the primary government.

Discretely Presented Component Units

The component unit column in the combined financial statements identifies the financial data of the County's discretely presented component units: the Thomas Edison Center, Van Wert Housing Services, Inc., the Van Wert County Port Authority, and the Van Wert County Airport Authority. They are reported separately to emphasize that they are legally separate from the County. Condensed financial information for the component units is presented in Note 20.

Thomas Edison Center The Thomas Edison Center is a legally separate, not-for-profit corporation, served by a board appointed by the Van Wert County Board of MRDD. The workshop, under contractual agreement with the Van Wert County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped individuals in Van Wert County. The Van Wert County Board of MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings, and professional staff to supervise and train clients of the Thomas Edison Center. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Van Wert County, the workshop is reflected as a component unit of Van Wert County. Separately issued financial statements can be obtained from the Thomas Edison Center at P.O. Box 604, Van Wert, Ohio 45891.

Van Wert Housing Services, Inc. The Van Wert Housing Services, Inc. is a legally separate not-for-profit corporation served by a board appointed by the Van Wert County Board of MRDD. The corporation, under contractual agreement with the Van Wert County Board of MRDD, has agreed to acquire, manage and maintain residential properties. The Van Wert County Board of MRDD makes grants available to assist in the purchase of the properties. The Van Wert County Board of MRDD is financially accountable for the Van Wert Housing Services, Inc. The Van Wert County Board of MRDD has maintained a legal interest through a note and a second mortgage on the property purchased by the corporation. In the event of default or violation of the contract terms, the Van Wert County Board of MRDD has the right to assume the mortgage and the right to insist on the transfer of title of the property. Separately issued financial statements can be obtained from the Van Wert Housing Services, Inc. at P.O. Box 604, Van Wert, Ohio 45891.

Van Wert County Port Authority The Van Wert County Port Authority is a legally separate organization created to maintain and operate the rail property located within the County. The Board of the Port Authority is appointed by the Van Wert County Commissioners. The Van Wert County Commissioners have potential to receive financial benefit from the Port Authority, since the County is entitled to any surplus of the Port Authority. The County is also financially accountable for the Authority. The Van Wert County Auditor is the fiscal agent for the Port Authority.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Van Wert County Airport Authority The Van Wert County Airport Authority is a legally separate organization created by resolution of the Van Wert County Commissioners on December 20, 1974. The Board of the Airport Authority is made up of five members, each with a term of five years. The members were originally appointed by the Van Wert County Commissioners; subsequent appointments are made by the Board of Trustees of the Regional Airport Authority, subject to the approval of the Board of Van Wert County Commissioners. The County has issued debt for the Airport Authority in the County's name, making the County financially accountable for the Airport Authority.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County's financial statements:

Van Wert County General Health District
Van Wert County Soil and Water Conservation District
Van Wert County Law Library

The County participates in certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, Related Organizations, and Insurance Purchasing Pools. The County's Joint Ventures, the Van Wert County Emergency Management Agency (EMA) and the Van Wert County Regional Planning Commission (the Commission) are presented in Note 21 of the general purpose financial statements. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Jointly Governed Organizations of the County, the Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Paulding and Van Wert Counties (Tri County Mental Health Board), the Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC), the Van Wert County Council on Aging, Inc. (the Council), the West Central Partnership, Inc. (the Partnership), and the Maumee Valley Resource Conservation and Development Area (the MV-RCD Area), are presented in Note 22 of the general purpose financial statements. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. The Related Organizations, the Van Wert County Hospital Commission (Commission) and the Local Emergency Planning Committee (LEPC) are presented in Note 23. A related organization is an organization for which the County appoints a majority of the governing board but for which there is no potential benefit or burden and no authority to impose the will of the County.

The Insurance Purchasing Pools, the Mid West Pool Risk Management Agency, Inc. (the Pool), the Midwest Employee Benefit Consortium (MEBC), and the County Commissioners' Association of Ohio Service Corporation (CCAOSC) are presented in Note 24 of the general purpose financial statements. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies.

B. Basis of Presentation - Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

VAN WERT COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable financial resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in the enterprise fund) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund This fund is used to account for all financial resources of the County except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds These funds are used to account for the accumulation of financial resources for, and the payment of, general long-term and special assessment debt principal, interest and related costs.

Capital Projects Funds These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by the enterprise fund).

Proprietary Fund Type

The proprietary fund is used to account for the County's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type utilized by the County:

Enterprise Fund This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the County's only fiduciary fund type:

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Agency Funds These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for fixed assets of the County, other than those fixed assets accounted for in the enterprise fund. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all long-term obligations of the County, except those accounted for in the enterprise fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Van Wert County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to the enterprise fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below. Separate information for discretely presented component units can be found in Note 20.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales tax, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). On an accrual basis, revenue from permissive sales tax is recognized in the period when the exchange transaction on which the tax is imposed occurs (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 8), accounts, interest, federal and state subsidies, grants and state-levied locally shared taxes.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met, and payments received before services are provided, are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department and fund. Budgetary modifications may only be made by resolution of the County Commissioners. Budgetary information has not been presented for the Library Enrichment Foundation of the Brumback Library (blended component unit) because it is not included in the entity for which the "appropriated budget" is adopted nor does the entity maintain separate budgetary records. Budgetary information has also not been presented for the discretely presented component units.

Advances-in and advances-out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. The annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeted Level of Expenditures/Expenses

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the commissioners. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation. Appropriations are made to fund, department and object level (i.e., General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses.)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

C. Cash and Cash Equivalents

Cash balances of the County's funds, except cash held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. Cash and cash equivalents that are held separately by the component units and within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Cash and cash equivalents that are held separately in accounts at a financial institution for retainages and not held with the County Treasurer are reported as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits. Investments that are held separately by the Van Wert Housing Services, Inc. and the Library Enrichment Foundation of the Brumback Library and within the departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Investments in Segregated Accounts."

During 2002, the County invested in certificates of deposit and STAR Ohio. The Library Enrichment Foundation of the Brumback Library invests in corporate stock.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating investment contracts such as nonnegotiable certificates of deposit which are reported at cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2002.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest revenue is distributed to the funds according to statutory requirements. Interest revenue of \$520,405 was credited to the General Fund during 2002, which includes \$478,732 assigned from other county funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

D. Receivables and Payables

Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Using this criterion the County has elected to not record child support arrearages within the special revenue and agency fund types. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

E. Inventory of Supplies

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental fund types which indicates that it does not constitute expendable available financial resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting an expenditure/expense in the year in which services are consumed.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

I. Fixed Assets

The fixed asset values were initially determined at December 31, 1989 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair market value on the date donated. The County maintains a capitalization threshold of five hundred dollars.

VAN WERT COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group at historical cost or estimated historical cost. Assets in the General Fixed Assets Account Group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

Enterprise Fund Fixed Assets

Property, plant, and equipment reflected in the enterprise fund are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 – 40 years
Machinery and Equipment	5 – 20 years
Furniture and Fixtures	5 years
Vehicles	10 years

Capitalization of Interest

The County's policy is to capitalize net interest on enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2002, interest costs incurred on construction projects in the enterprise fund were not material.

J. Contributed Capital

Prior to 2001, contributed capital represented resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. Because the County had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1988, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Capital contributions received after 2001 from other governments and private sources have been recorded as revenues and are reported as retained earnings. Contributions from other funds are still recorded as contributed capital.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the County's termination policy.

The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The County records a liability for accumulated unused sick leave for all employees after 20 years of current service with the County and employees with 10 years of current service and over the age of 60. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The remainder is reported in the General Long-Term Obligations Account Group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, early retirement incentive payable, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than thirty-one days after year-end are generally considered not to have been paid with current available financial resources. Capital leases and long-term notes are recognized as a liability of the General Long-Term Obligations Account Group until due.

Long-term obligations financed by the proprietary fund are reported as liabilities in the proprietary fund.

M. Reserves of Fund Balance

The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable financial resources and, therefore, are not available for expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, materials and supplies inventory, loans receivable, and unclaimed monies.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity between funds are reported as residual equity transfers. All remaining interfund transfers are reported as operating transfers.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that component units are included, two total columns are presented. The first is captioned "Total Primary Government (Memorandum Only)" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Total Reporting Entity (Memorandum Only)" and includes the activity and operations of the County's legally separate discretely presented component units (See Note 20). The "Totals" column on statements which do not include component units have no additional caption.

NOTE 3 - RESTATEMENT OF FUND EQUITY

For 2002, equity in pooled cash and cash equivalents was restated due to moving debt from short-term to long-term due to the timing of receipts and expenditures. One special revenue fund also had equity in pooled cash and cash equivalents restated due to an error. One loan receivable was mistakenly not accrued last year, while the other three loans were accrued in the wrong fund type. Most short-term debt was reclassified as long-term debt since the maturities are greater than one year from the balance sheet date.

The effect of these changes on opening fund balance follows:

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Fund Balance at December 31, 2001	\$2,518,046	\$2,621,847	\$0	\$1,109,205
Restatements:				
Equity in Pooled Cash and Cash Equivalents		58,858	7,102	(101)
Loans Receivable	(121,500)		236,405	(94,295)
Accrued Interest Payable	3,276	14,673		2,249
Notes Payable	142,110	1,116,662		155,295
Restated Amount at December 31, 2001	<u>\$2,541,932</u>	<u>\$3,812,040</u>	<u>\$243,507</u>	<u>\$1,172,353</u>

The Recycling Enterprise Fund and the General Fixed Assets Account Group had restatements for fixed assets due to an error in prior years. Retained earnings was restated by \$3,380, from \$420,386 to \$423,766. Total fund equity in the General Fixed Assets Account Group was restated by \$51,952, from \$19,548,116 to \$19,600,068.

In addition, the General Long-Term Obligations Account Group had a restatement for notes payable of \$1,414,067, changing total liabilities from \$1,346,826 to \$2,760,893.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Basis) and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non GAAP Basis) and Actual - Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for the enterprise fund (GAAP basis).
4. Principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. State statute permits short-term note debt to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
6. Although not part of the appropriated budget, the Library Enrichment Foundation of the Brumback Library Special Revenue Fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.
7. For the proprietary fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the GAAP basis to the budget basis are as follows:

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$266,016	\$1,414,722	(\$20,314)	(\$472,742)
Adjustments:				
Revenue Accruals	(243,933)	(1,275,695)		
Expenditure Accruals	198,276	362,645		731,742
2002 Unrecorded Cash	(65,978)	(13,719)		
2001 Unrecorded Cash	13,591	284,771		
Loans Receivable			13,492	
Prepaid Items	18,735	1,061		
Encumbrances	(116,828)	(687,315)		(1,534,614)
Debt Principal Payments		(5,063)	(110,000)	
Transfers			117,806	(96,387)
Change in Fair Value of Investments		18,003		
Reallocation for Debt Activity			(7,806)	6,387
Activity of Nonbudgeted Fund		(21,360)		
Budget Basis	\$69,879	\$78,050	(\$6,822)	(1,365,614)

Net Income/Excess of Revenues Under
Expenses and Operating Transfers

	Enterprise
GAAP Basis	\$76,030
Adjustments:	
Revenue Accruals	864
Expense Accruals	45,584
Prepaid Items	138
Acquisition of Fixed Assets	(118,235)
Reallocation for Debt Activity	1,419
Donations from Government Funds	(44,490)
Transfers	(21,419)
Depreciation	52,683
Encumbrances	(45,257)
Budget Basis	(\$52,683)

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 5 – ACCOUNTABILITY

The following funds had deficit fund balances as of December 31, 2002:

	Deficit Fund Balances
<u>Special Revenue Funds:</u>	
Domestic Violence	\$391
CDBG	3,098
CSEA	11,258
 <u>Capital Projects Fund:</u>	
Human Services Building Construction	90,981

The deficits in the Domestic Violence, CDBG, and CSEA Special Revenue Funds were caused by the application of generally accepted accounting principles. The General Fund provides transfers to cover special revenue deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit in the Human Services Building Construction Capital Projects Fund arose from the requirement to report the bond anticipation note liability in the fund which received the note proceeds. The deficit will be alleviated when the bonds are issued or when the notes are paid.

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County which are not considered active are classified as inactive.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the County had \$56,937 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At year-end, the carrying amount of the County's deposits was \$8,743,109 and the bank balance was \$8,859,614. Of the County's deposits, \$51,397 consisted of deposits for the Port Authority, a discretely presented component unit for which the County Auditor is the fiscal agent. Of the bank balance, \$895,582 was covered by federal deposit insurance and \$7,964,032 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements" requires the County to categorize investments to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Primary Government		
	Category	Unclassified	Fair
	1		Value
STAR Ohio	\$0	\$1,446,559	\$1,446,559
Stock	108,566	0	108,566
Total	\$108,566	\$1,446,559	\$1,555,125

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Cash and cash equivalents are defined to include investments with original maturities of three months or less, and funds included within the County's cash management pool.

A reconciliation between the classifications of cash and cash equivalents and investments on the general purpose financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Primary Government	
	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$10,149,641	\$154,133
Cash on Hand	(56,937)	
Port Authority Component Unit	51,397	
Investments:		
Certificates of Deposit	45,567	(45,567)
STAR Ohio	(1,446,559)	1,446,559
GASB Statement No. 3	\$8,743,109	\$1,555,125

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility) are for 2002 taxes.

VAN WERT COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through agency funds of the County. The amount of the County's tax collections which flow through an agency fund is reported as "Taxes Receivable" on the combined balance sheet in both the agency fund and the governmental fund which will receive the tax distribution.

The full tax rate for all County operations for the year ended December 31, 2002, was \$8.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Agricultural/Residential Real Property	\$302,449,360
Other Real Property	50,665,710
Tangible Personal Property	56,208,710
Public Utility Personal Property	18,565,660
Total Assessed Value	<u>\$427,889,440</u>

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations. The receivable is offset by deferred revenue.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 8 - PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the General Fund. Amounts received within the available period are accrued as revenue. Sales and use tax revenue in 2002 amounted to \$3,289,525.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, accounts (billings for user charged services), special assessments, interest, due from other funds, intergovernmental receivables arising from grants, and loans. All receivables are considered collectible in full except County Home resident charges and Juvenile Court receivables.

A summary of accounts receivable for County Home resident charges, and Juvenile Court receivables, as well as other receivables owed to the County is as follows:

	County Home Resident Charges	Juvenile Court Receivable	Other Accounts Receivable	Total Accounts Receivable
Receivable	\$2,236,106	\$86,173	\$1,816,632	\$4,138,911
Allowance for uncollectibles	(2,165,953)	(50,953)	0	(2,216,906)
Net Accounts Receivable	\$70,153	\$35,220	\$1,816,632	\$1,922,005

A summary of intergovernmental receivables follows:

<u>General Fund</u>	<u>Amount</u>
Indigent Defense Reimbursement	\$18,979
Boarding Fees	22,880
Local Government	370,700
Local Government Revenue Assistance	73,291
Homestead and Rollback	52,679
Estate Tax Reimbursement	888
Election Costs	3,759
State Issue Advertising Reimbursement	899
Total General Fund	544,075
<u>Special Revenue Funds</u>	
Motor Vehicle License Tax	715,109
Gasoline Excise Tax	217,731
Gasoline Cents per Gallon	450,552
Homestead and Rollback	102,074

(continued)

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 9 – RECEIVABLES (Continued)

<u>Special Revenue Funds (continued)</u>	Amount
Undivided Library	562,013
Ohio Job and Family Services	33,733
CAFS Reimbursements	59,076
PA Core Over/Under Draws	212,518
Home Weatherization Assistance Grant	22,704
Early Childhood Special Education	16,169
Family Visitation Center	27,222
Community Corrections	26,513
Title XX	6,352
CSEA Grant	65,983
Children Services Grant	54,731
Youth Bureau Reclaim Ohio Grant	11,605
CDBG Grant	545,000
Federal HEAP Program	26,325
Recycle Grant Ohio	9,000
Total Special Revenue Funds	<u>3,164,410</u>
<u>Capital Projects Fund</u>	
Early Childhood Development Grant	<u>280,000</u>
<u>Agency Funds</u>	
Local Government	744,442
Local Government Revenue Assistance	147,186
Undivided Library	685,377
Motor Vehicle License Tax	243,697
Gasoline Excise Tax	94,602
Gasoline Cents per Gallon	195,412
Total Agency Funds	<u>2,110,716</u>
Total All Funds	<u>\$6,099,201</u>

Loans Receivable

The County has four loans receivable with the Van Wert County Airport Authority. Two of the loans are for construction of T-hangars, the third loan is for the removal of underground fuel tanks, and the fourth loan is for the purchase of a tractor/mower. The loans are repaid yearly as principal and interest come due. At December 31, 2002, the total amount of loans receivable in the Airport Note Debt Service Fund is \$222,913.

NOTE 10 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at December 31, 2002, follows:

Buildings	\$165,383
Machinery and Equipment	133,756
Furniture and Fixtures	11,357
Vehicles	<u>455,126</u>
Total	765,622
Less accumulated depreciation	<u>(194,338)</u>
Net Book Value	<u>\$571,284</u>

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 10 - FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during 2002 follows:

	Restated Balance at December 31, 2001	Additions	Deletions	Balance at December 31, 2002
Land	\$150,952	\$0	\$0	\$150,952
Land Improvements	20,399	0	0	20,399
Buildings	12,640,694	854,476	194,545	13,300,625
Machinery and Equipment	2,144,321	70,498	106,449	2,108,370
Furniture and Fixtures	548,530	9,754	16,233	542,051
Vehicles	4,095,172	212,361	435,221	3,872,312
Construction in Progress	0	3,916,612	0	3,916,612
Total General Fixed Assets	\$19,600,068	\$5,063,701	\$752,448	\$23,911,321

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2002, the County contracted with the Mid West Pool Risk Management Agency, Inc. for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

Coverage provided by Mid West Pool Risk Management Agency, Inc. is as follows:

Liability

(A) General, Auto, Law and Nursing Home Liability Combined (per occurrence)	\$1,000,000
(B) Public Official Errors and Omissions Liability (per occurrence - included above) Aggregate	1,000,000 1,000,000
(C) Excess Liability, General, Liquor, Auto, Law, Public Official Liability and Miscellaneous Errors and Omissions (per occurrence and annual aggregate)	4,000,000
Property (per occurrence)	194,027,000
Flood and Earthquake (annual aggregate)	35,000,000
Boiler and Machinery	30,000,000
Crime Insurance:	
Faithful Performance	225,000
Money and Securities	225,000
Employee Dishonest	225,000
Forgery & Alteration	225,000

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 11 - RISK MANAGEMENT (Continued)

The County pays all elected officials' bonds by statute. Settled claims have not exceeded coverage in the last three years. There has been no material change in this coverage from the prior year.

B. Health Care Benefits

The County participates in the Midwest Employee Benefit Consortium (MEBC), an insurance purchasing pool consisting of five counties (See Note 24). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

The Brumback Library contracts with Aetna U.S. Healthcare for medical insurance and with The Guardian for dental coverage, and VisionPlus for vision insurance.

The County Engineer contracts with Business Administrators and Consultants, Inc. for health care and dental coverage.

C. Workers' Compensation

For 2002, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool (See Note 24). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAOSC. Each participant pays its workers' compensation premium to the State based on the rate for the CCAOSC rather than its individual rate. In order to allocate the savings derived by formation of the CCAOSC, and to maximize the number of participants in the CCAOSC, annually the CCAOSC's executive committee calculates the total savings which accrued to the CCAOSC through its formation. This savings is then compared to the overall savings percentage of the CCAOSC. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAOSC is limited to counties that can meet the CCAOSC's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAOSC. Each year, the County pays an enrollment fee to the CCAOSC to cover the costs of administering the CCAOSC.

The County may withdraw from the CCAOSC if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the CCAOSC prior to withdrawal, and any participant leaving the CCAOSC allows representatives of the CCAOSC to access loss experience for three years following the last year of participation.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All County employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 10.10 percent. The 2002 employer pension contribution rate for the County was 8.55 percent of covered payroll, a decrease from 9.25 percent in 2001. Also, the law enforcement contribution rate for the County was 11.70 percent of covered payroll, a decrease from 12.40 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$559,333, \$876,233, and \$442,133, respectively. The amount contributed for 2002 was 65 percent with the remainder being reported as a fund liability and within the General Long-Term Obligations Account Group. The full amount has been contributed for 2001 and 2000.

B. State Teachers Retirement System

For certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, the County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the year ended December 31, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's required contributions for pension obligations to STRS for the years ended December 31, 2002, 2001, and 2000 were \$23,079, \$29,935, and \$14,221, respectively. The amount contributed for 2002 was 97 percent with the remainder being reported as a fund liability and within the General Long-Term Obligations Account Group. The full amount has been contributed for year 2001 and 2000.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The County's actual contributions for 2002 which were used to fund postemployment benefits were \$317,947. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

For 2002, OPERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of OPERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. This system is on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$10,932 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

County employees and elected officials may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio County Commissioners Association Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

B. Early Retirement Incentive Payable

The County approved an Early Retirement Incentive plan for the Engineer's Office. The plan began on December 1, 2000, and ended on November 30, 2001. Participation in the plan was available to 5% of total employees in the Office who are members of OPERS. Ability to participate was based on service credit, with preference given to those with more service credit. Service credit will be purchased for the lesser of: 2.1 years of service credit, or an amount of service credit equal to one-fifth of the total service credit of record credited to the participating employee, exclusive of the service credit purchased under this plan. To be eligible, the employee has to be eligible to retire on or before the termination date of the plan. Service credit to be purchased for the employee under the plan is included in making this determination. Also, the employee must agree to retire within 90 days after receiving notice that service credit has been purchased for the employee.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

At the end of 2002, the County had two employees who chose to accept the early retirement incentive from the Engineer's Office. The County began making payments to OPERS in December 2000. These expenditures are reflected as program/function expenditures in the Motor Vehicle Gas Tax Special Revenue Fund. The remaining liability at December 31, 2002 for these two employees has been recorded as an early retirement incentive payable in the General Long-Term Obligations Account Group.

The County approved an Early Retirement Incentive plan for the Van Wert County Department of Job and Family Services. The plan began September 1, 2001, and ended on August 31, 2002. Participation in the plan was available to 8 percent of total employees in the Office who are members of OPERS. Ability to participate was based on service credit. Service credit will be purchased for the lesser of: 4 years service credit, or an amount of service credit equal to one-fifth of the total service credit of record credited to the participating employee, exclusive of the service credit purchased under this plan. To be eligible, the employee has to be eligible to retire on or before the termination date of the plan. Service credit to be purchased for the employee under the plan is included in making this determination. Also, the employee must agree to retire within 90 days after receiving notice that service credit has been purchased for the employee.

At the end of 2002, the County had three employees who chose to accept the early retirement incentive from this department. The County began making payments to OPERS in November 2001. These expenditures are reflected as program/function expenditures in the Department of Job and Family Services Special Revenue Fund. The County paid for one employee by December 31, 2002. The remaining liability at December 31, 2002 for the two remaining employees has been recorded as an early retirement incentive payable in the General Long-Term Obligations Account Group.

C. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County.

Accumulated, unused sick leave is paid up to a maximum of 600 hours, depending on length of service, to employees who retire. As of December 31, 2002, the liability for compensated absences was \$724,620 for the County.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

The County holds leases from prior years for machinery, equipment, and vehicles. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Machinery and equipment and vehicles acquired by lease have been capitalized in the General Fixed Assets Account Group at amounts equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments made during 2002 totaled \$94,703, in the General Fund and the Motor Vehicle Gas Tax, Ditch Maintenance, and Thomas Edison Special Revenue Funds. The following is an analysis of assets leased under capital leases as of December 31, 2002:

	GFAAG
Machinery and Equipment	\$145,482
Vehicles	242,428
	\$387,910

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002.

Year	GLTOAG
2003	\$89,482
2004	30,156
2005	29,455
2006	24,545
Total	173,638
Less: Amount Representing Interest	(13,288)
Present Value of Minimum Lease Payments	\$160,350

NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term transactions for the year ended December 31, 2002 follows:

Fund Type/Fund/Issue	Interest Rate	Balance at December 2001	Increases	Decreases	Balance at December 31, 2002
<u>General Obligation Notes:</u>					
Special Revenue Fund:					
Probate/Juvenile Court Computer	4.75%	\$5,063		\$5,063	\$0
Capital Projects Fund:					
Human Services Building Construction Fund	4.75%	180,000		90,000	90,000
Total General Obligation Notes		\$185,063	\$0	\$95,063	\$90,000

The notes are bond and revenue anticipation notes, and they are backed by the full faith and credit of Van Wert County. They are payable from government funds. The note liability is reflected in the fund which received the proceeds.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 16 - SHORT-TERM OBLIGATIONS (Continued)

Changes in the note transactions reported in the enterprise fund during 2002 were as follows:

	Balance at December 31, 2001	Increases	Decreases	Balance at December 31, 2002
Note Payable:				
4.37% - 1998 Recycling Building and Trucks	\$40,000		\$20,000	\$20,000

The note payable will be paid from the Recycling Enterprise Fund. The note is prepayable without penalty at the option of the County at any time prior to maturity.

NOTE 17 - LONG-TERM DEBT

The changes in the County's long term-term obligations for the year ended December 31, 2002 consist of the following:

	Interest Rate	Restated Balance at December 31, 2001	Increases	Decreases	Balance at December 31, 2002
<u>General Obligation Notes:</u>					
Airport Improvement	4.39%	\$121,500		\$6,750	\$114,750
Tractor/Mower	4.00%	20,610		4,122	16,488
County Engineer Building	3.50%	235,000		16,509	218,491
South Delphos Area Sewer	3.54%	61,000			61,000
Airport Construction	4.64%	94,295		2,620	91,675
County Annex	1.95%		1,300,000		1,300,000
Thomas Edison Improvements	1.95%		400,000		400,000
Total General Obligation Notes		532,405	1,700,000	30,001	2,202,404

Special Assessment Notes:

Wallace Ditch	4.75%	3,063		681	2,382
Jennings Creek Ditch	5.59%	27,502			27,502
James Adams Ditch	5.59%	1,464		275	1,189
Kimmett Ditch	5.59%	52,204		12,164	40,040
Wortman Ditch	5.59%	839		182	657
Spice Run	4.60%	38,305		14,333	23,972
27 Mile Creek	5.59%	357,412		93,490	263,922

(continued)

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 17 - LONG-TERM DEBT (Continued)

	Interest Rate	Restated Balance at December 31, 2001	Increases	Decreases	Balance at December 31, 2002
<u>Special Assessment Notes</u>					
Allen Watt	4.60%	\$5,394		\$2,109	\$3,285
Mown Prairie	4.60%	28,276		10,341	17,935
Mollenkopf/Salmon	7.07%	6,457		2,316	4,141
Dog Creek	4.75%	76,273		17,129	59,144
Pup Creek	6.68%	23,650		6,550	17,100
Parker Ditch	4.75%	5,391		1,425	3,966
Maddox Creek	4.75%	103,140		18,265	84,875
Price Ditch	4.75%	31,169		6,770	24,399
Cable Ditch	4.75%	10,489		2,190	8,299
Feigert Ditch	5.59%	2,086		342	1,744
Monkey Run Ditch	5.59%	80,626		18,519	62,107
Pottamatome Ditch	5.59%	27,922		7,309	20,613
Total Special Assessment Notes		<u>881,662</u>		<u>214,390</u>	<u>667,272</u>
Total Notes		<u>1,414,067</u>	<u>1,700,000</u>	<u>244,391</u>	<u>2,869,676</u>
<u>Loans Payable:</u>					
1997 Dog Warden Truck	5.64%	<u>2,702</u>		<u>2,702</u>	<u>0</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable		659,767	28,543		688,310
Due to Other Governments		286,330	341,400	286,330	341,400
Obligations Under Capital Lease		255,053		94,703	160,350
Early Retirement Incentive Payable		142,974	101,061	52,047	191,988
Total – Other Long-Term Obligations		<u>1,344,124</u>	<u>471,004</u>	<u>433,080</u>	<u>1,382,048</u>
Total General Long-Term Obligations		<u>\$2,760,893</u>	<u>\$2,171,004</u>	<u>\$680,173</u>	<u>\$4,251,724</u>

All of the notes are bond and revenue anticipation notes and they are backed by the full faith and credit of Van Wert County. They are payable from special assessments and governmental funds resources. The note liability is reflected in the General Long-Term Obligations Accounting Group since the notes are similar to serial bonds where annual payments are made each year and there is no rollover of principal from year to year. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments. All of the notes are prepayable without penalty at the option of the County at any time prior to maturity.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 17 - LONG-TERM DEBT (Continued)

Principal and interest requirements to retire the County's multi-year notes outstanding at December 31, 2002, are as follows:

Year	Principal	Interest	Total
2003	\$360,314	\$86,490	\$446,804
2004	441,442	82,863	524,305
2005	322,560	53,826	376,386
2006	250,536	41,028	291,564
2007	140,339	31,871	172,210
2008-2012	662,055	114,136	776,191
2013-2017	358,280	57,628	415,908
2018-2022	334,150	19,703	353,853
Total	<u>\$2,869,676</u>	<u>\$487,545</u>	<u>\$3,357,221</u>

Compensated absences, due to other governments, and the early retirement incentive payable will be paid from the funds from which the employees' salaries are paid. Due to other governments represents contractually required pension contributions paid outside the available period. Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Changes in the long-term obligations reported in the enterprise fund during 2002 were as follows:

	Balance at December 31, 2001	Increases	Decreases	Balance at December 31, 2002
<u>Other Long-Term Obligations:</u>				
Compensated Absences Payable	\$2,474	\$2,245	\$0	\$4,719
Due to Other Governments	5,796	8,975	5,796	8,975
TOTAL – Other Long-Term Obligations	<u>\$8,270</u>	<u>\$11,220</u>	<u>\$5,796</u>	<u>\$13,694</u>

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2002 are an overall debt margin of \$6,904,511 and an unvoted debt margin of \$1,986,770.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

(Continued)

NOTE 17 - LONG-TERM DEBT (Continued)

During 1996, the County issued a health care facilities revenue bond with the principal amount of \$315,000 outstanding at December 31, 2002 for facilities used by the Stepping Stones Center, Inc. During 1997, the County issued three bonds. An industrial development revenue bond was authorized for Kennedy Manufacturing Company in the principal amount of \$3,000,000. As of December 31, 2002, \$1,171,825 had been issued and was still outstanding. A health care facilities revenue bond was issued for the Van Wert Area Visiting Nurses Association, with the principal amount of \$1,639,500 outstanding at December 31, 2002. Also issued was a hospital facilities revenue bond for the Van Wert County Hospital Association, with the principal amount of \$1,680,744 outstanding at December 31, 2002. The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County.

The County is not obligated in any way to pay debt charges on the bonds from any of its funds; therefore, they have been excluded entirely from the County's debt presentation. Neither is the full faith and credit or taxing power of the County pledged to make repayment.

NOTE 18 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 2002, consist of the following individual fund receivables and payables:

Fund Type/Fund	Due From Other Funds	Due To Other Funds
<u>General Fund</u>	\$16,670	\$2,661
<u>Special Revenue Funds:</u>		
Motor Vehicle Gas Tax Fund	38,026	
Dog and Kennel Fund		3,200
Department of Job and Family Services Fund	21,009	22,263
Ditch Maintenance Fund		35,908
Childrens Services Fund	3,179	
Thomas Edison Fund	20,948	2,758
Federal Weather DOE Fund		959
Federal Weather HHS Fund		26
CSEA Fund		26,415
Youth Bureau Fund		3,213
County Home Fund		41
Federal HEAP Fund		1,000
911 Operation Fund		34
CDBG Fund		1,067

(continued)

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 18 - INTERFUND TRANSACTIONS (Continued)

Fund Type/Fund	Due From Other Funds	Due To Other Funds
<u>Special Revenue Funds (continued)</u>		
Brumback Library Fund		236
Total Special Revenue Funds	83,162	97,120
<u>Enterprise Fund:</u>		
Recycling Fund		51
Total All Funds	<u>\$99,832</u>	<u>\$99,832</u>

NOTE 19 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2002, the County had contractual purchase commitments as follows:

Company	Project	Contract Amount	Amount Expended	Balance At 12/31/02
Kennedy-Kuhn, Inc.	Six John Deere Tractors	\$235,835	\$0	\$235,835
Kohli and Kaliher Associates	Professional Services	56,486	0	56,486
National Serv-All, Inc.	Tornado Cleanup	40,000	35,791	4,209
Reynolds Electric	TE Early Childhood Center	220,851	126,272	94,579
Schumm Plumbing & Heating	TE Early Childhood Center	98,889	46,189	52,700
Alexander & Bebout	TE Early Childhood Center	1,085,565	661,040	424,525
Gast Plumbing & Heating	TE Early Childhood Center	513,064	292,126	220,938
Bernsdorff Inc., H.T.	Architect/Engineer Fees	16,356	0	16,356
Gast Plumbing & Heating	HVAC – County Annex	525,000	350,225	174,775
Schumm Plumbing and Heating	Fire & Plumbing - Contract-Annex	193,481	118,248	75,233
Shinn Brothers, Inc.	New Offices	1,145,698	581,223	564,475
Sidney Electric Company	Electric Contract	305,900	170,779	135,121
Thomas W. Ruff Company	Module Units	107,014	0	107,014
F and S Floor Covering, Inc.	Carpeting and Vinyl	18,900	0	18,900
Totals		<u>\$4,563,039</u>	<u>\$2,381,893</u>	<u>\$2,181,146</u>

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 20 - CONDENSED FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNITS

A. Balance Sheet

	Thomas Edison Center	Van Wert Housing Services, Inc.	Port Authority	Airport Authority	Total
Current Assets	\$114,971	\$52,817	\$51,397	\$51,703	\$270,888
Non-current Assets:					
Investments		1,278,571			1,278,571
Fixed Assets	115,659	437,747	208,174	325,199	1,086,779
Total Non-current Assets	115,659	1,716,318	208,174	325,199	2,365,350
Total Assets	\$230,630	\$1,769,135	\$259,571	\$376,902	\$2,636,238
Liabilities and Retained Earnings:					
Current Liabilities	\$1,826	\$15,202		\$14,592	\$31,620
Non-current Liabilities:					
Notes Payable		108,722			108,722
Loans Payable				208,321	208,321
Total Liabilities	1,826	123,924		222,913	348,663
Retained Earnings	228,804	1,645,211	259,571	153,989	2,287,575
Total Liabilities and Retained Earnings	\$230,630	\$1,769,135	\$259,571	\$376,902	\$2,636,238

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 20 - CONDENSED FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNITS (Continued)

B. Statement of Revenues, Expenses and Changes in Retained Earnings

	Thomas Edison Center	Van Wert Housing Services, Inc.	Port Authority	Airport Authority	Total
Operating Revenues	\$258,167	\$88,305	\$5,547	\$34,929	\$386,948
Operating Expenses	276,516	252,972	3,862	81,884	615,234
Operating Income (Loss)	(18,349)	(164,667)	1,685	(46,955)	(228,286)
Total Non-Operating Revenues (Expenses)	2,155	(118,026)		33,049	(82,822)
Excess of Revenues Over (Under) Expenses	(16,194)	(282,693)	1,685	(13,906)	(311,108)
Retained Earnings at 1/1/02	244,998	1,927,904	257,886	167,895	2,598,683
Retained Earnings at 12/31/02	<u>\$228,804</u>	<u>\$1,645,211</u>	<u>\$259,571</u>	<u>\$153,989</u>	<u>\$2,287,575</u>

C. Measurement Focus and Basis of Accounting

The financial statements that are presented for the Thomas Edison Center, the Van Wert Housing Services, Inc., the Port Authority, and the Airport Authority use the governmental model of Governmental Accounting Standards Board Statement No. 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities" for non-profit corporations. These component units are accounted for like enterprise funds using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

D. Budgetary Basis of Accounting

Budgetary information for the discretely presented component units is not presented because they are not included in the entity for which the "appropriated budget" is adopted and do not maintain separate budgetary financial records.

E. Deposits and Investments

Cash and cash equivalents held by the Thomas Edison Center, Van Wert Housing Services, Inc. and the Airport Authority are classified as "Cash and Cash Equivalents in Segregated Accounts," meaning any investment with an original maturity of three months or less. Cash and cash equivalents held by the Port Authority is presented in the account "Equity in Pooled Cash and Cash Equivalents" because its funds are included in the County Treasurer's cash management pool. Investments held by Van Wert Housing Services, Inc. are classified as "Investments in Segregated Accounts."

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 20 - CONDENSED FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(1) Thomas Edison Center

Thomas Edison Center had \$125 in petty cash which is included on the balance sheet as part of "Cash and Cash Equivalents in Segregated Accounts". This amount is uninsured and uncollateralized.

At year-end, the carrying amount of deposits for Thomas Edison Center was \$97,964 and the bank balance was \$101,040, all of which was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investments of funds for the not-for-profit corporation.

(2) Van Wert Housing Services, Inc.

Van Wert Housing had \$17,293 in undeposited cash which is included on the balance sheet as part of "Cash and Cash Equivalents in Segregated Accounts". This amount is uninsured and uncollateralized.

At year-end, the carrying amount and bank balance of deposits for Van Wert Housing Services, Inc. was \$11,813. The entire bank balance was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds for the not-for-profit corporation.

Investments consisted primarily of U.S. Government obligations, corporate obligations, and common stocks which are carried at fair value. Fair value at year-end was \$1,278,571, while the cost was \$1,229,267.

(3) Port Authority

Since the County Auditor is the fiscal agent for the Port Authority, the Port Authority follows the same investment guidelines as the County Treasurer. Information concerning deposits for the Port Authority can be found in Note 6 to the general purpose financial statements.

(4) Airport Authority

At year-end, the carrying amount of deposits for the Airport Authority was \$25,143, and the bank balance was \$25,380, all of which was covered by federal depository insurance. The Airport Authority follows the same investment guidelines as the County Treasurer.

Investments consisted of STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2002. The amount invested in STAR Ohio at year-end was \$26,560.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 20 - CONDENSED FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNITS (Continued)

F. Fixed Assets

A summary of the component units' fixed assets at December 31, 2002, follows:

	Thomas Edison Center	Van Wert Housing Services, Inc.	Port Authority	Airport Authority	Total
Buildings		\$48,004	\$27,454	\$176,216	\$479,714
Equipment, Improvements, and Furnishings	137,412	123,011		113,951	374,374
Vehicles	35,249			58,120	93,369
Total	<u>172,661</u>	<u>531,055</u>	<u>212,288</u>	<u>453,927</u>	<u>1,369,931</u>
Less accumulated depreciation	<u>(57,002)</u>	<u>(93,308)</u>	<u>(4,114)</u>	<u>(128,728)</u>	<u>(283,152)</u>
Net Book Value	<u>\$115,659</u>	<u>\$437,747</u>	<u>\$208,174</u>	<u>\$325,199</u>	<u>\$1,086,779</u>

Depreciation is provided on a straight-line basis over an estimated useful life of 12 years for Thomas Edison Center. The Van Wert Housing Services, Inc. depreciates buildings over an estimated useful life of 40 years, equipment and furnishings over an estimated useful life of 3 to 12 years, and computers over an estimated useful life of 3 years. The Port Authority depreciates its fixed assets over an estimated useful life of 40 years, and 5 to 20 years for the Airport Authority.

G. Notes Payable

A summary of the note transactions for the component units for the year ended December 31, 2002 follows:

	Interest Rate	Balance at December 31, 2001	Increases	Decreases	Balance at December 31, 2002
Van Wert Housing Services, Inc.					
Residential Property #1	8.25%	\$19,639	\$0	\$2,929	\$16,710
Residential Property #2	7.00%	20,651	0	2,406	18,245
Residential Property #3	8.00%	9,256	0	2,188	7,068
Residential Property #4	8.00%	27,279	0	1,986	25,293
Residential Property #5	8.00%	30,648	0	1,624	29,024
Residential Property #6	7.00%	26,482	0	1,094	25,388
Total		<u>\$133,955</u>	<u>\$0</u>	<u>\$12,227</u>	<u>\$121,728</u>

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

(Continued)

NOTE 20 - CONDENSED FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Terms on the Van Wert Housing Services, Inc. residential property #1 note call for a total of 180 monthly payments of \$354.73 starting on February 1, 1993. Terms on the Van Wert Housing Services, Inc. residential property #2 note call for a total of 180 monthly payments of \$314.59 starting on December 1, 1993. Terms on the Van Wert Housing Services, Inc. residential property #3 note call for a total of 120 monthly payments of \$232.25 starting on January 1, 1996. Terms on the Van Wert Housing Services, Inc. residential property #4 note call for a total of 180 monthly payments of \$324.92 starting on September 2, 1997. Terms on the Van Wert Housing Services, Inc. residential property #5 note call for a total of 180 monthly payments of \$305.81 starting on November 1, 2001. Terms on the Van Wert Housing Services Inc. residential property #6 note call for a total of 180 monthly payments of \$242.68 starting on July 1, 2001.

H. Loans Payable

A summary of the loan transactions for the component units for the year ended December 31, 2002 follows:

	Interest Rate	Balance at December 31, 2001	Increases	Decreases	Balance at December 31, 2002
Airport Authority					
Airport Hangar #1	Variable	\$41,850	\$0	\$1,000	\$40,850
Fuel Tank Removal	Variable	121,500	0	6,750	114,750
Airport Hangar #2	Variable	52,445	0	1,620	50,825
Tractor/Mower Airport Notes	Variable	20,610	0	4,122	16,488
Total Loans Payable		<u>\$236,405</u>	<u>\$0</u>	<u>\$13,492</u>	<u>\$222,913</u>

All of the Airport Authority Loans are variable rate notes. The interest rate on the loans is adjusted annually on the date that the annual payment is due. The adjusted rate is the prime rate multiplied by 65 percent. The interest rate shall never exceed the lesser of 12 percent or the maximum interest rate permitted by law. Terms on the Airport Hangar loan #1 due to the County call for a total of 20 annual payments starting on August 1, 1997 at varying amounts based on the interest rate and principal due at that time. Terms on the Fuel Tank loan due to the County call for five annual payments starting on August 2, 2001 at varying amounts based on the interest rate and principal due at that time. Terms on the Airport Hangar loan #2 due to the County call for a total of 20 annual payments starting on October 1, 2001 at varying amounts based on the interest rate and principal due at that time. Terms on the Tractor Mower Loan due to the County call for a total of five annual payments starting on March 5, 2002, at varying amounts based on the interest rate and principal due at that time.

I. Segment Information

Net working capital for Thomas Edison Center, Van Wert Housing Services, Inc., the Port Authority and the Airport Authority was \$113,145, \$37,615 \$51,397 and \$37,111, respectively. During 2002, Thomas Edison Center, Van Wert Housing Services, Inc., and the Airport Authority purchased fixed assets in the amount of \$3,461, \$1,199, and \$30,730, respectively. Other segment information can be obtained in the condensed financial statements presented above.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

(Continued)

NOTE 21 - JOINT VENTURES

A. Van Wert County Emergency Management Agency

The Van Wert County Emergency Management Agency (EMA) is a joint venture among Van Wert County, the City of Van Wert, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. During 2002, the County contributed \$20,000 for the operation of the agency. The EMA is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The EMA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from the EMA located at 1300 Old Route 30, Post Office Box 602, Van Wert, Ohio 45891.

B. Van Wert County Regional Planning Commission

The Van Wert County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Van Wert, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of thirty members of which two-thirds are elected officials. The County must be represented by the three County Commissioners, a County Health Official, the County Engineer, the County Recorder, the County Auditor, the Sheriff and the County Extension Agent. Other members include: a representative from all participating Board of Township Trustees; the Mayor or a Council member of each participating incorporated village; two representatives from the City of Van Wert, one being the Mayor or his designee and one being appointed by City Council. The remaining members of the Commission are representatives from public utility, minority groups, business, industry, Ministerial Association, farm organizations, Chamber of Commerce and other representatives as deemed necessary by the Commission.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. The County contributed \$5,000 during 2002 for the operations of the Commission. This amount was approximately 31 percent of total revenue for the Commission. In 2001, the County contribution was approximately 15 percent of total revenue for the Commission. The Commission is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from the Commission located at 719 East Crawford Street, Van Wert, Ohio 45891.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 22 – JOINTLY GOVERNED ORGANIZATIONS

A. Alcohol, Drug Addiction and Mental Health Services Board of Mercer, Paulding and Van Wert Counties (Tri County Mental Health Board)

The Tri County Mental Health Board is a jointly governed organization among Mercer, Paulding and Van Wert counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Mercer, Paulding and Van Wert counties in the same proportion as the County's population bears to the total population of the three counties combined. The majority of the Tri County Mental Health Board's revenue comes from a property tax levied by the Tri County Mental Health Board. During 2002, the tax levy provided \$305,390 for the operations of the organization. These monies were collected and distributed by the County on behalf of the Tri County Mental Health Board. There were no County contributions.

B. Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio

The Community Improvement Corporation of the City of Van Wert and County of Van Wert, Ohio (the CIC) is a jointly governed organization between the City and the County. The general purpose of the CIC is to pursue and maintain economic development within the County. The CIC is governed by a Board of Trustees made up of fifteen members, who include: three elected or appointed officers of the City, to be designated annually by the City Council; three elected or appointed officers of the County, to be designated annually by the Board of County Commissioners; six people to be designated annually by the Board of Trustees of The Van Wert Area Chamber of Commerce; the President of the Van Wert Industrial Development Corporation (in ex officio status); and two people who are residents of the County, to be elected at the annual meeting of the members by a majority of the members listed previously. There were no County contributions in 2002.

C. Van Wert County Council on Aging, Inc.

The Van Wert County Council on Aging, Inc. (the Council) is a jointly governed organization among the County, the City of Van Wert, neighboring townships, and local related organizations. The Council was formed to secure and maintain maximum independence and dignity for older persons (1) in a home environment for older persons capable of self-care with appropriate supportive services by providing such services and to remove individual and social barriers to economic and personal independence, (2) in a home-like environment for older persons not capable of self-care with adequate institutional situations by providing assistance to these institutions in developing policy. The Board of Directors consists of thirteen members, who shall represent, as nearly as possible, a cross section of the entire county population. Representatives of local health services, low income persons, the clergy, government officials, consumers and other concerned citizens shall be appointed to the Board. The majority of the Council's revenue comes from a property tax levied by the Council. During 2002, the tax levy provided \$138,627 for the operations of the organization. These monies were collected and distributed by the County on behalf of the Council. There were no County contributions.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. West Central Partnership, Inc.

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and raise money for such purpose and to expend, contribute, disburse, or otherwise handle and dispose of the same for such purpose. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership. The counties do not contribute any monies for the operation of the Partnership.

E. Maumee Valley Resource Conservation and Development Area

The Maumee Valley Resource Conservation and Development Area (the MV-RCD Area) is a jointly governed organization among the Counties of Allen, Defiance, Fulton, Henry, Paulding, Putnam, Van Wert, and Williams. The MV-RCD Area is organized to accelerate local efforts toward improving the social and economic conditions of the area through the conservation, development and utilization of natural resources. The Executive Council consists of twenty-four members. Each county appoints three members, with a member from each of the following: Board of County Commissioners, Soil and Water Conservation District, and a member at large. The member at large may represent one of the following interests: cities and villages, township trustees, Regional Planning, business, industry, labor, Chamber of Commerce, economic development, environmental groups, league of women voters, specialty growers, farm organizations, and concerned citizens. For 2002, the County contributed \$500 to the MV-RCD Area for its operation.

NOTE 23 - RELATED ORGANIZATIONS

A. Van Wert County Hospital Commission

The Van Wert County Hospital Commission (Commission) is a legally separate body politic. The nine board members of the Commission are appointed by the Van Wert County Commissioners: one member each from the townships of Willshire-Liberty, Harrison-Pleasant, Tully-Union, Hoaglin-Jackson, Ridge-Washington, and York-Jennings, along with three members from the City of Van Wert. The County is not able to impose its will on the Commission and no financial benefit and/or burden relationship exists. The Commission is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The Commission was organized under Ohio Revised Code 3390.14. The purpose is to have jurisdiction over the hospital facilities, provided the hospital corporation is responsible for operations.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 23 - RELATED ORGANIZATIONS (Continued)

B. Local Emergency Planning Committee

The Local Emergency Planning Committee (LEPC) is a legally separate body politic. The fifteen committee members of the LEPC are appointed by the Van Wert County Commissioners. As near as practical, the LEPC will be comprised of an equal number of representatives from the following categories: Elected Officials, Law Enforcement, Emergency Management, Fire Fighter, First Aid/Red Cross, Health, Local Environmental, Hospital, Transportation, Broadcast or Print Media, Community Group, Facility Owner/Operator. The County is not able to impose its will on the LEPC and no financial benefit and/or burden relationship exists. The LEPC is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The LEPC was organized under the Superfund Amendments and Reauthorization Act (SARA TITLE III), United States Public Law 99-499, and the Emergency Planning and Community Right-to-Know Act (EPCRA) Section 301c. The purpose is to prepare a comprehensive and coordinated chemical emergency response plan for the County; to receive and process requests from the public for information under SARA TITLE II; to implement the LEPC rules and requirements of SARA TITLE III; and to receive and dispense funds generated by SARA TITLE III.

NOTE 24 - INSURANCE PURCHASING POOLS

A. Mid West Pool Risk Management Agency, Inc.

The Mid West Pool Risk Management Agency, Inc., (the Pool) is an Ohio nonprofit corporation established by five counties for the purpose of establishing an insurance program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by the Pool. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' error and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Pool are managed by an elected board of not more than five trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of the Pool is limited to its voting authority and any representation it may have on the board of trustees.

B. Midwest Employee Benefit Consortium

The County participates in the Midwest Employee Benefit Consortium (MEBC), an insurance purchasing pool consisting of five counties. The MEBC is responsible for the administration of the program and processing of all claims for each member. The County pays premiums to the MEBC for employee medical and life insurance benefits.

The MEBC is governed by a Board of Trustees consisting of one county commissioner from each participating member. Each participant decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the MEBC is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

VAN WERT COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

NOTE 24 - INSURANCE PURCHASING POOLS (Continued)

C. The County Commissioners' Association of Ohio Service Corporation

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing eligibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of the CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

NOTE 25 - RELATED PARTY TRANSACTIONS

Thomas Edison Center, Inc., a discretely presented component unit of Van Wert County, has entered into a contractual agreement with the Van Wert County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Van Wert County. The MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Thomas Edison Center, Inc. The additional income and related expenses are reflected in the financial statements of the component unit. During 2002, the contributions to Thomas Edison Center, Inc. for salaries, fringes, maintenance and repairs of buildings and administrative costs were \$132,678.

Van Wert Housing Services, Inc., a discretely presented component unit of Van Wert County, has entered into a contractual agreement with the Van Wert County Board of MRDD. It had agreed to acquire, manage and maintain residential properties. The MRDD makes grants available to assist in the purchase of the properties and has maintained a legal interest through a note and a second mortgage in the property. In the event of default or violation of the contract terms, the MRDD has the right to assume the mortgage and the right to insist on the transfer of property title.

NOTE 26 - CONTINGENCIES

A. Litigation

The County is not party to any legal proceedings.

B. Grants

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

VAN WERT COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

NOTE 27 – SUBSEQUENT EVENTS

As of July 8, 2003, the County has entered into the following contracts due to the tornado damage incurred during 2002:

<u>Company</u>	<u>Project</u>	<u>Amount</u>
Miller Contracting Group	Engineer's office/shop building	\$327,404
Miller Contracting Group	Engineer's storage building	266,480
Safety Lane Equipment	Hydraulic Lift	81,500
Kalida Truck Equipment	Mower	76,091
John Deere	6 tractors	235,696
Total		<u>\$987,171</u>

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VAN WERT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
(Passed through Ohio Department of Development)				
Community Development Block Grant/State's Program	BM-01-074-1	14.228	\$ 31,500	
	BF-00-074-1	14.228	3,090	
	BF-01-074-1	14.228	55,845	
	BE-00--074-1	14.228	80,000	
	BC-01-074-1	14.228	52,376	
Total			222,811	
(Direct and Passed through Ohio Department of Development)				
Home Investment Partnership (HOME) Program	BC-98-074-2	14.239	32	
Total United States Department of Housing and Urban Development			222,843	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
(Passed through Ohio Department of Job and Family Services)				
Low-Income Home Energy Assistance	02-HA-153	93.568	34,845	
	03-HA-153	93.568	10,929	
	02-HE-253	93.568	27,658	
	03-HE-253	93.568	15,124	
	H01-136	93.568	9,554	
	H02-136	93.568	16,957	
	HC02-136	93.568	31,496	
Total			146,563	
Title IV-B	N/A	93.645	29,922	
Child Welfare Services State Grant	N/A	93.645	135	
Total			30,057	
Emergency Service Assistance	N/A	93.556	1,379	
Child Abuse and Neglect	N/A	93.669	2,011	
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)				
Medical Assistance Program	8100012	93.778	218,051	
Social Services Block Grant	MR-81	93.667	11,167	
	MR-81	93.667	6,387	
Total			17,554	
Total United States Department of Health and Human Services			415,615	
U.S. DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Special Education Preschool Grant	071183-PG-S1-02P	84.173	7,425	
	071183-PG-S1-03-P	84.173	10,424	
Total			17,849	
Special Education Grants to States	071183-6B-SF-02P	84.027	8,976	
	071183-6B-SF-03P	84.027	10,971	
Total			19,947	
Total Special Education Cluster			37,796	
Total United States Department of Education			37,796	
UNITED STATES DEPARTMENT OF ENERGY				
(Passed through the Ohio Department of Development)				
Exxon	EX01-136	Oil	447	
Weatherization Assistance for Low-Income Persons	D01-136	81.042	24,771	
	D02-136	81.042	62,277	
Total			87,048	
Total United States Department of Energy			87,495	

**VAN WERT COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
(Passed through the Ohio Department of Education)				
Nutrition Cluster:				
School Breakfast Program	140285-05PU	10.553	8,798	
National School Lunch Program	140285-LLP4	10.555	14,613	
Food Distribution	N/A	10.550	<u> </u>	<u>6,319</u>
Total United States Department of Agriculture - Nutrition Cluster			<u>23,411</u>	<u>6,319</u>
UNITED STATES DEPARTMENT OF JUSTICE				
Direct Program				
Local Law Enforcement Block Grant Program	2002-LB-BX-3376	16.592	5,092	
Total United States Department of Justice			<u>5,092</u>	
UNITED STATES DEPARTMENT OF LABOR				
(Passed through the Ohio Department of Job and Family Services)				
Workforce Cluster:				
Workforce Investment Act - Youth	N/A		11,105	
Workforce Investment Act - Youth Administration	N/A		8,411	
Workforce Investment Act - Youth Total		17.259	<u>19,516</u>	
Workforce Investment Act - Adult	N/A		45,068	
Workforce Investment Act - Adult Administration	N/A		34,844	
Workforce Investment Act - Adult Total		17.258	<u>79,912</u>	
Workforce Investment Act - Dislocated Worker	N/A		22,245	
Workforce Investment Act - Rapid Response	N/A		53,181	
Workforce Investment Act - Dislocated Worker Administration	N/A		16,821	
Workforce Investment Act - Dislocated Worker Total		17.260	<u>92,247</u>	
Total Cluster			<u>191,675</u>	
JTPA Youth	N/A	17.246	<u>5</u>	
Total United States Department of Labor			<u>191,680</u>	
UNITED STATES DEPARTMENT OF JUSTICE				
(Passed through the Ohio Office of Criminal Justice Services)				
Visitation - Byrne Grant	2001-DG-D02-7137	16.579	18,844	
Total United States Department of Justice			<u>18,844</u>	
FEDERAL EMERGENCY MANGEMENT AGENCY				
(Passed through Ohio Department of Public Safety)				
Emergency Mangement Performance Grant	FY'02	83.552	5,675	
Total Federal Emergency Management Agency			<u>5,675</u>	
UNITED STATES DEPARTMENT OF TRANSPORTATION				
(Passed through the Ohio Department of Transportation)				
Highway Planning and Construction Cluster	PID #23092	20.205	171,410	
Direct from Federal Aviation Administration				
Airport Improvement Program	AIP 3-39-0081-0102	20.106	26,780	
Total United States Department of Transportation			<u>198,190</u>	
Total Federal Assistance			<u>\$1,206,641</u>	<u>\$6,319</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures

VAN WERT COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2002

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C—FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At December 31, 2002, the County had \$474 in donated food commodity inventory.

NOTE D— COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by personal property and business assets. At December 31, 2002, the gross amount of loans outstanding under this program were \$28,174. Delinquent amounts due are \$899.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Van Wert County
121 East Main Street
Van Wert, Ohio 45891

To the Board of Commissioners:

We have audited the financial statements of Van Wert County (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated July 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 8, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 8, 2003.

This report is intended for the information and use of the audit committee, management, county commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 8, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Van Wert County
121 East Main Street
Van Wert, Ohio 45891

To the Board of Commissioners:

Compliance

We have audited the compliance of Van Wert County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated July 8, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 8, 2003.

This report is intended for the information and use of the audit committee, management, county commissioners, and federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 8, 2003

VAN WERT COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #93.778: Medical Assistance Program CFDA #14.228: Community Development Block Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINANCIAL CONDITION

VAN WERT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2003**